

Relative to the Teachers' Retirement System (TRS).

Definitions

New law defines "maximum benefit" as the retirement benefit a member is entitled to receive in any month after giving effect to the new law and any similar provisions of any other qualified plans designed to conform to '415 of the Internal Revenue Code.

New law defines "excess benefit participant" as any member whose retirement benefit would exceed the maximum benefit permitted under '415 of the Internal Revenue Code, as determined on the basis of all qualified plans without regard to limitations and comparable provisions of other qualified plans of the employer.

New law defines "unrestricted benefit" as the monthly retirement benefit a member, or the spouse or child of a member, would have received under the terms of all qualified plans of the employer, except for the restrictions of the new law and any similar provisions of any other qualified plans designed to conform to '415 of the Internal Revenue Code.

Maximum Benefits

New law provides that no member shall receive a benefit in any year in excess of the sum of the maximum employer-financed benefit and the member-financed benefit.

New law provides that the maximum employer-financed benefit shall equal \$90,000, except that it may exceed that sum if the excess is caused by adjustments made pursuant to new law. New law provides that the maximum employer-financed benefit for the year 1999, as adjusted, shall equal \$130,000.

New law provides that the member-financed benefit is the annual benefit that can be provided by annuitizing the member's after-tax accumulated contributions. Provides that any benefit reduction shall, to the extent possible, reduce the monthly pension to which the member would otherwise have been entitled and shall not affect the member's DROP plan account.

Benefit Adjustments

New law provides that if the annual benefit begins before the member attains age 62, then the \$90,000 limit, as adjusted, shall be reduced in a manner prescribed by the U.S. Sec. of Treasury, and that adjustment may not reduce the member's annual benefit below \$75,000, if the member's benefit begins at or after age 55, or the actuarial equivalent of \$75,000 beginning at age 55 if benefits begin before age 55.

New law provides that if the annual benefit begins after the member attains age 65, then the \$90,000 limit, as adjusted, will be increased so that it is the actuarial equivalent of the \$90,000 at age 65. New law provides that the \$90,000 limit on annual benefits, but not the \$75,000 limit, shall be adjusted annually as provided by '415(d) of the U.S. Internal Revenue Code and the regulations prescribed by the U.S. Sec. of Treasury to reflect COLAs, and that the adjusted limit is effective as of January 1 of each calendar year and is applicable to benefits commencing during that calendar year.

New law provides that, as a result of a COLA increase, a benefit that had been

limited in a previous year may be increased with respect to future payments to the lesser of the new limit or the amount of benefit that would have been payable without regard to the allowable adjustments.

Form of Payment

New law prohibits payment of annual benefits in an amount greater than the member's accrued benefit, and provides that the maximum limit shall apply to a single-life annuity. New law provides that if benefits are paid in a form other than a single-life annuity, the maximum limit shall apply to the pension that is the actuarial equivalent of such single-life annuity, using an applicable interest rate and mortality table as prescribed by the U.S. Internal Revenue Service.

New law provides that the annual benefit limit shall not be reduced for any benefit received as a disability retirement allowance or any payments received by the beneficiaries, survivors, or estate of a member as a result of the death of the member.

New law provides that TRS may pay an annual benefit in excess of the \$90,000 limit, if the annual benefit derived from the employer contributions under TRS and all other qualified plans subject to the limitations of '415(b) of the U.S. Internal Revenue Code does not in the aggregate exceed \$10,000 for the plan year or for any prior year, and the member has not at any time participated in a defined contribution plan maintained by the employer. New law provides that a member's own contributions to TRS are not considered a separate defined contribution plan maintained by the employer.

New law provides that if a member is or has been a participant in one or more defined contribution plans maintained by the employer, the sum of the member's contributions under TRS and any other qualified defined benefit plans of the employer and the annual additions under the defined contribution plan or plans may not exceed the lesser of 25% of the member's earned compensation or \$30,000, as adjusted by the U.S. Sec. of Treasury.

New law provides that the sum of the "defined benefit plan fraction" and the "defined contribution plan fraction" both as defined in '415 of the U.S. Internal Revenue Code, for any plan year in which '415 of the U.S. Internal Revenue Code is in effect, may not exceed 1.0 for any calendar year in which the limits of '415(d) of the U.S. Internal Revenue Code are in effect and enforced by the U.S. Internal Revenue Service.

New law provides that if the sum of the defined benefit plan fraction and the defined contribution plan fraction exceeds 1.0 in any such year for any member, or if the benefits under TRS and one or more other defined benefit plans would otherwise exceed the maximum employer-financed benefit, and the administrator of the other plan does not reduce the contributions or benefits under the other plan, the employer-financed benefit paid from TRS shall be reduced to the extent necessary to ensure that the limitations under '415 of the U.S. Internal Revenue Code are met.

New law provides that if the U.S. Congress or the U.S. Internal Revenue Service, or both, later amend laws, regulations, or other guidelines pertaining to '415 of the U.S. Internal Revenue Code in order to permit higher service retirement benefits, then, for any retired member who had previously had a benefit reduced because it exceeded the limits as provided in new law, the TRS Board shall recalculate the retired member's benefit to be the smaller of either: (1) the unreduced benefit based on TRS's service retirement benefit formula in effect on the date the member retired, or (2) the maximum permissible benefit calculated under the amended laws or regulations.

New law provides that if a retroactive change is permissible, the TRS Board shall pay the retired member in a single payment an amount equal to the difference between the adjusted higher monthly benefit and the reduced benefit for the number of months the member has received the reduced benefit, but that no member shall receive any benefit to the extent that he has received a distribution with respect to such benefit from an excess benefit plan.

Excess Benefit Plan

New law creates a separate, unfunded, nonqualified excess benefit plan, intended to be a qualified governmental excess benefit arrangement, as defined in '415(m)(3) of the U.S. Internal Revenue Code.

New law provides that an excess benefit participant who is receiving benefits from TRS is entitled to a monthly benefit under the excess benefit plan in an amount equal to the lesser of either: (1) the member's unrestricted benefit less the maximum benefit; or (2) the amount by which the member's monthly benefit from TRS has been reduced in accordance with the maximum benefit limitations of new law.

New law provides that a retirement benefit payable under the excess benefit plan shall be paid in the form and at the time it would have been paid as a monthly pension from TRS except that the maximum benefit limitations shall apply in conjunction with '415 of the U.S. Internal Revenue Code, and that each optional benefit form permitted under the excess benefit plan shall be the actuarial equivalent of each other permitted benefit form.

New law provides that the excess benefit plan shall be administered by the board of trustees of TRS, except as otherwise provided, the rights, duties, and responsibilities of the board shall be the same for this excess benefit plan as for the regular TRS system.

New law provides that the actuary employed by the TRS board is responsible for determining the amount of benefits that may not be provided by TRS solely because of the maximum benefit limitations and '415 of the U.S. Internal Revenue Code and thus the amount of contributions that will be made to the excess benefit plan rather than to TRS, and that the actuary designated shall also provide advice to the board for the excess benefit plan.

New law provides that contributions may not be accumulated under the excess benefit plan to pay future retirement benefits, but instead, each payment of contributions by the employer that would otherwise be made to TRS shall be reduced by the amount determined by the TRS board as necessary to meet the requirements for retirement benefits under the excess benefit plan until the next payment of contributions is expected to be made to TRS by the employer.

New law provides that the employer shall pay to the excess benefit plan, out of the contributions that would otherwise have been made to TRS, no later than the 14th day before the date of each distribution of monthly retirement benefits is required to be made from the excess benefit plan, the amount necessary to satisfy the obligation to pay monthly retirement benefits under the excess benefit plan.

New law provides that the TRS Board shall satisfy the obligation of the excess benefit plan to pay retirement benefits out of the employer contributions so transferred. Provides that the employer contributions otherwise required to be made to TRS and any other qualified plan shall be divided into those contributions required to pay retirement benefits pursuant to provisions governing the excess benefit plan and those contributions paid into and accumulated to pay the maximum benefits required under the regular TRS

qualified plan.

New law provides that employer contributions made to provide retirement benefits pursuant to the provisions governing the excess benefit plan may not be commingled with the monies of TRS or any other qualified plan, nor may the excess benefit plan ever receive any transfer of assets from TRS.

Repealed Provisions

Prior law provided that the normal retirement benefit of any member of TRS who was a qualified participant could not exceed the greater of: (1) the accrued benefit at retirement of the member as if such benefit were computed under certain laws in effect on 10/14/87, or (2) the limitation provided as if the qualified participant were not a qualified participant. New law repealed prior law.

Prior law provided that any election made by a member after 10/14/87, which would have had the effect of reducing such benefit, such as an election under '125 or 457 of the U.S. Internal Revenue Code, was to be considered as not reducing the accrued benefit. New law repealed prior law.

Prior law defined "qualified participant" as a member of TRS who first became a member before 01/01/90. Prior law provided that in the case of the merger of, or transfer of assets and benefits of a member or members from another plan maintained by an employer which joins TRS, the accrued benefit under such predecessor plan would be the accrued benefit referred to in prior law, and the member would be considered a qualified participant if his participation in such predecessor or merged plan commenced on or before 01/01/90. New law repealed prior law.

Prior law provided that all employers contributing to TRS on behalf of their employees, and all employers who joined TRS, as a condition of such joining, were required to elect, and such election was implemented, to have the limitation of '415(b) of the U.S. Internal Revenue Code other than Paragraph (2)(G) thereof applied without regard to Paragraph (2)(F) thereof, which limitations were set forth in prior law, and that such limitations applied to all members who were not qualified participants. New law repealed prior law.

Prior law provided that the annual retirement benefit of any member of TRS who was not a qualified participant, could not exceed the lesser of \$90,000 or 100% of such member's average compensation. New law repealed prior law.

Prior law provided that for purposes of determining whether a member's benefit exceeded the annual benefit limitations, if the normal form of benefit was other than a single life annuity, such form was required to be adjusted actuarially to the equivalent of a single life annuity, and the single life annuity could not exceed the maximum dollar or percent annual benefit limitations. New law repealed prior law.

Prior law provided that no adjustment was required for qualified joint and survivor annuity benefits, pre-retirement disability benefits, pre-retirement death benefits, and post-retirement medical benefits. New law repealed prior law.

Prior law provided that if benefit distribution commenced before social security retirement age, the actual retirement benefit could not exceed the lesser of 100% of the member's average compensation or the adjusted dollar limitations, and the adjusted dollar limitation was required to be the equivalent, determined in a manner consistent with reduction of benefits for early retirement under the Social Security Act, of \$90,000 commencing at

social security retirement age. Prior law provided that for purposes of the adjustment, survivor benefits, that portion of a joint and survivor annuity which was the survivor benefit, and any other ancillary benefits could not be taken into account. New law repealed prior law.

Prior law provided that if benefit distribution commenced after social security retirement age, the dollar limitation was required to be increased to the equivalent of \$90,000 commencing at social security retirement age. New law repealed prior law.

Prior law defined the term "social security retirement age" as the age used as the retirement age under '216(1) of the Social Security Act, except without regard to the age increase factor, and as if the early retirement age under '216(1)(2) were 62. New law repealed prior law.

Prior law provided that the interest rate used for adjusting the maximum limitations above was, for benefits commencing before social security retirement age and for forms of benefit other than straight life annuity, the greater of 5%, or the rate used to determine actuarial equivalence for other purposes of TRS; and for benefits commencing after social security retirement age, the lesser of 5%, or the rate used to determine actuarial equivalence for other purposes under TRS. New law repealed prior law.

Prior law provided that if benefits were payable under TRS to a member who had less than 10 years of participation in TRS, the \$90,000 limitation was to be multiplied by a fraction, the numerator of which was the member's number of years of participation in the system (not greater than 10), and the denominator of which was 10. New law repealed prior law.

Prior law provided that if retirement benefits were payable under TRS to a member who had less than 10 years of service with the employer, the 100% of compensation limitation, and the \$10,000 limitation were to be multiplied by a fraction, the numerator of which was the member's number of years of service with the employer (not greater than 10) and the denominator of which was 10. New law repealed prior law.

Prior law provided that the \$90,000 limitation was to be adjusted annually to the maximum dollar limits allowable by the U.S. Sec. of the Treasury under '415(d) of the U.S. Internal Revenue Code, such adjustments to take effect on the 1st day of each FY following 12/31/87, and the adjustment could not exceed the adjustment in effect for the calendar year in which the FY of TRS began. New law repealed prior law.

Prior law provided that if a member was a member or participant in more than one defined benefit pension plan maintained by the state, its agencies, or its political subdivisions, then such member's benefit, considered in the aggregate after taking into account the benefits provided by all such retirement plans, could not exceed the annual benefit limits. New law repealed prior law.

Prior law provided that benefits payable with respect to a participant under any defined benefit plan were to be deemed not to exceed the annual benefit limitations if: (1) the retirement benefits payable with respect to such participant under such plan and under all other defined benefit plans of the employer did not exceed \$10,000 for the plan year, or for any prior plan year, and (2) the employer had not at any time maintained a defined contribution plan in which the participant participated. New law repealed prior law.

Prior law defined the term "average compensation" as the average compensation earned by a member for the period of three consecutive years during which the member was an active member of TRS and had the greatest

aggregate compensation from the employer. New law repealed prior law.

Prior law defined that term "compensation" as the total compensation reportable by the state of La., its agencies, or its political subdivisions as income to the member for the year, but not including deferred compensation which was not reportable as income in the current year. New law repealed prior law.

Prior law provided that average compensation specifically excluded amounts not includable in the member's gross income for federal tax purposes by reason of U.S. Internal Revenue Code '125 and 414(h) and any other provision of federal law; but that such amounts could not be excluded, however, for any other retirement purposes. New law repealed prior law.

Prior law provided that no benefit was to be considered to exceed the limitation if, at the time the payment of such benefit commenced, the limitations or its equivalent as in effect at the time of the commencement of such payments were not exceeded by such initial benefit and if, at any later date, the amount of benefit payable in any year did not exceed the amount of such initial benefit, adjusted by the aggregate annual COLAs allowable for pension benefits in pay status for all years subsequent to the year benefit payments commenced. New law repealed prior law.

Effective July 1, 1999.

(Adds R.S. 11:701(29), (30), and (31), 784.1, 945 - 947; Repeals R.S. 11:785)